IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE: DEALER MANAGEMENT SYSTEMS ANTITRUST LITIGATION **This Document Relates To:** **THE DEALERSHIP CLASS ACTION**	**MDL No. 2817** **Case No. 18-cv-00864** **Honorable Robert M. Dow, Jr.** **Magistrate Judge Jeffrey T. Gilbert**

DEALERSHIP CLASS PLAINTIFFS' SUPPLEMENTAL FILING IN SUPPORT OF MOTION (i) TO COMPEL PRODUCTION OF CDK/COX SETTLEMENT AGREEMENT; AND (ii) TO STAY WITTMAN DEPOSITION PENDING RULING ON MOTION

Dealership Class Plaintiffs ("Dealership Plaintiffs") respectfully submit this supplement to their motion ("Motion", ECF No. 736) for entry of an Order (i) compelling Defendant CDK Global, LLC ("CDK") to produce a copy of its settlement agreement and any related agreement with former Plaintiff Cox Automotive, Inc. and its subsidiaries ("Cox"); and (ii) staying the deposition of Lori Wittman, Senior Vice President of Cox's Dealer Software Solutions division, pending a ruling on the Motion. This supplement attaches, as Exhibit A, a copy of the August 13, 2019 transcript of CDK's earnings call, which was referenced by Dealership Plaintiffs' counsel during the August 15, 2019 hearing on the Motion before Judge Gilbert. The transcribed statements include the following:

1. Statement by CDK's Chief Executive Officer, Brian Krzanich:

> On July 10, we entered into a settlement agreement with Cox Automotive, resulting in the dismissal of all claims from the litigation between our companies. We are glad to put this behind us and look forward to our *renewed and positive relationship with this key partner*.

Exhibit A at 6 of 25 (emphasis supplied).

2. Statement by CDK's Chief Financial Officer, Joseph Tautges:

   We have said we expect the business to grow 4% to 5% organically, and when we look at the guidance we're sharing today for 2020, we shared 4% to 6%, and within that, I would point out that the *commercial agreement that we've announced today with Cox* that puts about a point of pressure on that range.

Exhibit A at 14 of 25 (emphasis supplied).

Dated: August 15, 2019

Respectfully submitted,

/s/ Peggy J. Wedgworth

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CERTIFICATE OF SERVICE

I, Peggy J. Wedgworth, an attorney, hereby certify that on August 15, 2019, I caused a true and correct copy of the foregoing DEALERSHIP CLASS PLAINTIFFS' SUPPLEMENTAL FILING IN SUPPORT OF MOTION (i) TO COMPEL PRODUCTION OF CDK/COX SETTLEMENT AGREEMENT; AND (ii) TO STAY WITTMAN DEPOSITION PENDNG RULING ON MOTION to be filed and served electronically via the Court's CM/ECF system. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system or by mail to anyone unable to accept electronic filing as indicated on the Notice of Electronic Filing. Parties may access this filing through the Court's CM/ECF System.

*/s/ Peggy J. Wedgworth*_______
Peggy J. Wedgworth

EXHIBIT A

Seeking Alpha α
Transcripts | **Technology**

CDK Global, Inc. (CDK) CEO Brian Krzanich on Q4 2019 Results - Earnings Call Transcript

Aug. 13, 2019 10:40 PM ET
by: SA Transcripts

FQ4: 08-13-19 Earnings Summary

Press Release *10-K* *Slides*

EPS of $0.88 misses by $-0.02 | Revenue of $488.6M (-14.16% Y/Y) misses by $-96.5M

Earning Call Audio

Subscribers Only

00:00 -51:03

CDK Global, Inc. (NASDAQ:CDK) Q4 2019 Earnings Conference Call August 13, 2019 4:30 PM ET

Company Participants

Julie Schlueter - Director of Investor Relations

Brian Krzanich - Chief Executive Officer

Joseph Tautges - Executive Vice President and Chief Financial Officer

Conference Call Participants

Rayna Kumar - Evercore ISI

Matthew Pfau - William Blair & Company, LLC

Ian Zaffino - Oppenheimer & Co.

Gary Prestopino - Barrington Research Associates, Inc.

Operator

Good day, ladies and gentlemen, and welcome to the CDK Global Incorporated Q4 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call may be recorded.

I'd now like to introduce your host for today's conference, Ms. Julie Schlueter. Ma'am, you may begin.

Julie Schlueter

Thank you. Good afternoon and thank you for joining us for our year-end fiscal 2019 earnings call and webcast. Joining me on today's call are Brian Krzanich, CEO; and Joe Tautges, CFO.

A few items before we get started. Throughout today's call, unless otherwise noted, all references to financial amounts are in a non-GAAP adjusted basis. And for purposes of comparability, all results in year-over-year comparisons are presented in accordance with ASC 605.

Reconciliations of the adjusted amounts to the most directly comparable GAAP amounts are included in this afternoon's press release and are available in the Investor Relations section of our website. Also, unless otherwise noted discussions and financial amounts herein relate to the Company's continuing operations only and do not include the Digital Marketing business which is held for sale and therefore has been classified as discontinued operations.

In addition, we are now reporting in two segments CDK North America and CDK International. Together, these were previously called Core Auto Software. I would also like to remind everyone that remarks made during this conference call will contain forward-

looking statements. These statements involve risks and uncertainties, including the risks detailed in our filings with the SEC, which would cause actual results to differ materially from those set forth in the forward-looking statements. And finally, we're anticipating our filing Form 10-K this week.

With that, it is my pleasure to turn the call over to Brian.

Brian Krzanich

Thanks, Julie, and good afternoon, everyone. Fiscal 2019 was a big year for us. When I look at the strong performance we have achieved in Q4, it reinforces that we've taken the right actions in the last six months and makes me optimistic about our future growth momentum.

Before diving into the financial results, I'd like to thank our 9,000 employees not only for their dedication and commitment to delivering best-in-class software and services, but for sharing their insights and talents with me over these past nine months. I've been very impressed by the high caliber talent of our team, and I'm excited about the opportunities that our company has to deliver additional value to both our customers and shareholders into the future.

I'd like to begin with a summary of our 2019 fiscal year-end financial results and some key highlights and Joe will provide more details on both the fourth quarter and year-end results, as well as the fiscal 2020 guidance.

Full-year results were very positive. We saw total company revenue growth of 8%. North America growing 11%, largely due to the addition of ELEAD business and the acceleration of subscription revenue growth. In our International Business, full-year revenue was up 2% on a constant currency basis with strong revenue per site growth.

Moving to the bottom line. Our full-year adjusted EBITDA grew 13%, margins improved 180 basis points to 40.1%, and EPS grew more than 20% for the year.

Now, I'd like to turn the discussion to some of our business highlights from the full fiscal year. To start, I'm very pleased with North America auto site count at 8,946, which represents a net increase of 13 sites over 2018 and is the highest quarter in number since December of 2017. This is now the second quarter in a row of positive year-over-year growth and clearly demonstrates that the investments we're making to put the customer first are paying off.

During the year, we implemented several programs aimed at improving our customer experience and dealer usage of installed products. The success of these programs can be seen by the improvements across all of our key metrics for the year in North America. Sales growth was up double digits and we had a record DMS sales in the fourth quarter. Our best ever. New site installations were up approximately 20% and site retention was up nearly 0.5% from last year.

We believe that we can continue to grow sites with investments in these initiatives, as well as through product innovations like Drive Flex and Fortellis, which are allowing us to attract new customers and improve retention within our current base given their superior technology advantages.

We saw an increase in revenue per site in North America up 7% over last year, driven primarily by commercialization and solid layered application sales, notably in our CRM, Service and Doc Cloud application areas.

Our International segment saw positive momentum in revenue for site growth as well with a 10% increase over last year. International sites grew 110 sequentially versus Q3 and were down slightly by 1% year-over-year. We are encouraged by the building momentum in the business. Like-for-like sales were up 10% year-over-year and new offerings such as our DMS Light product and partner program will continue to ramp throughout fiscal 2020.

I would like to turn the discussion now to a few of our next generation technologies that will continue to fuel CDK's growth long into the future. Drive Flex is now live in nearly a dozen dealerships. And we have approximately 40 more dealers signed up for multiple

manufacturers and also some independents. We are seeing a good mix of both existing customers looking to migrate to Flex, as well as new customers to CDK.

Our second OEM certification is expected in the next couple of weeks, but we're also focused on improving the automation capabilities that will enable us to install and scale faster and deliver an improved customer experience both during installation and afterwards.

We continue to make good progress on Fortellis. I would like to provide a quick update on the latest developments. As you may recall, Fortellis is designed to be a DMS agnostic API layer that will allow the industry to connect solutions to partners and provide our customers with the best solutions no matter who develop them. We now have the Hailer program with Lyft up and running and is being very well received.

We have over 100 dealers and partnerships so far in the first few weeks going live. We're also publishing several new CDK API's to Fortellis, including repair order, which is in beta testing now. The repair order API is important as it allows a simpler, more cost effective way for our partners to link their service and repair software with CDK DMS.

We are happy to report that we're moving into a new chapter with our largest participants in the partner program. Cox Automotive will be an important beta test partner on our new repair order open API. This is the first step in helping to take away some of the past frustration with the program and with their right investments over the next couple of years, we believe that we can transition the remaining partner program business towards leveraging this open API Fortellis model.

Our partner program contributes in total approximately $125 million of revenue to our topline, and it's proven to be a source of friction with our dealers and with our partner program participants. We've been working hard on developing and testing solutions that deliver tangible value that our customers appreciate, while effectively supporting the industry and our customers with our innovations and capabilities.

The ability to provide a partner friendly solution through Fortellis is critical to not only transforming CDK, but the entire automotive software industry. We expect to rollout these solutions more broadly throughout fiscal 2020.

On July 10, we entered into a settlement agreement with Cox Automotive, resulting in the dismissal of all claims from the litigation between our companies. We are glad to put this behind us and look forward to our renewed and positive relationship with this key partner.

In summary, 2019 was a busy and pivotal year for CDK. We are pleased that the actions and programs we put in place are producing valuable results. As you know, over the past four years, CDK has been focused on executing its business transformation plan, which is primarily centered on improving operations and margins.

We now have a solid foundation for building the right strategy to move forward and accelerate revenue growth. We're setting a clear direction in terms of our priorities in order to maintain our leadership in the dealer software industry. There are numerous opportunities for CDK to play a bigger and better role with new and existing dealers, OEMs and consumers in the auto vertical and other adjacent industries.

In Q4, we took an important step in the continuing evolution of the Company. With the announcement to sell the Digital Marketing business. This will allow us to sharpen our focus and attention on accelerating software growth while providing an opportunity for long-term value of the Digital Marketing business and its employees to be better realized by someone in the digital space. We believe this transition will benefit all stakeholders, and I'd like to thank the Digital Marketing employees for their hard work and dedication towards developing this business and delivering excellent service to our digital customers.

During the sale process our customer service and support remain unchanged. But we have not made any changes to internal operations or staff. Joe, will provide additional details about the financial implications of the digital disposition later in his section. With that decision made our focus on accelerating software growth will be realized by one, CDK

will modernize its software. By improving the technology stack we will not only be able to maintain our current portfolio of 30,000 global sites, but will grow new sites and deliver better solutions to all our customers.

Two, CDK will make its key layered applications DMS agnostic, which will open up the market to an additional 11,000 North American franchised auto dealerships, we currently don't serve. And then ultimately to an even larger group of dealers in the global market.

Three, CDK will leverage its newer technologies like Drive Flex to win with independents and used car dealerships, a market that has several thousand sites and has not been serviced by CDK.

And fourth, CDK will continue to set the industry standard for exchange platforms with Fortellis, which will provide differentiated experiences that benefit the auto industry at large.

Now, and into the future. To deliver this sustainable long-term revenue growth, we will invest approximately $30 million in several technology and service related projects in 2020. With this growth framework in mind and the momentum we've built in 2019, we're confident that we can grow the business in there 4% to 6% range in fiscal 2020.

We believe that CDK can consistently deliver mid single-digit growth going forward, but we'll continuously work each day to find additional opportunities and that will take us beyond this target in the future. And as we begin fiscal 2020, we're enthusiastic about our new opportunities for profitable topline growth. We believe that focusing and building on our world-class software and customer experience competency will position us to grow with our existing and new customers. As we head into the future.

I'll now turn it over to Joe.

Joseph Tautges

Thank you, Brian, and good afternoon, everyone. Fiscal 2019 was an important and successful year for us at CDK. When I reflect on the year, we made progress on a number of fronts which represent strategic building blocks for us, as we go forward to drive growth

acceleration.

First, we are honing in on the recurring revenue streams from our core subscription based software and services. As a result, we announced at the end of June our intent to sell our Digital Marketing business.

Second, we focused on improving the customer experience and these efforts are showing in the results. We have stabilized site sooner than we anticipated and expect to see continued site growth in 2020.

Third, we made the right strategic acquisition with the purchase of the ELEAD business, which has strengthened our suite of applications to bring the best solutions to our customers within the DMS portfolio. Importantly, it is also a marked new market opportunities for us to deliver applications that are agnostic to the DMS.

Fourth, we reached a settlement agreement that resulted in a dismissal of all claims in one of the anti-trust lawsuits.

In summary, we made a lot of progress in 2019. Our Core business is in good shape, sites are growing and we have a strong portfolio of products. I am excited about building off the solid foundation and the opportunities we have to accelerate growth. And in the guidance section, I'll share our views on the outlook for 2020 and beyond.

Before getting into the detailed results, I would like to discuss the Digital Marketing divestiture. This includes all of the Advertising North America business, which was previously one of our reported segments, plus a portion of the North America segment related to website services and mobile advertising.

You will see the Digital Marketing results are now reported as discontinued operations on the financial statements and the assets and liabilities associated with the expected divestiture are classified as held for sale on the consolidated balance sheets. Prior year amounts had been reclassified accordingly and the details are available in the Investor Relations section of our website. We now have two reporting segments, North America and International.

Now, let me turn to the results. Starting with revenues. On an ASC 606 basis total company fourth quarter revenue was $489 million and for the full-year was $1.9 billion. On a quarterly and full-year basis, North America revenue was $409 million and $1.6 billion, and International revenue was $80 million and $322 million respectively.

On an ASC 605 basis, total company revenues grew 10% in the quarter and 8% for the full-year. Growth came primarily from North America, which had revenue increases of 14% in the quarter and 11% for the year, subscription revenue growth was up 11% for the quarter and 10% for the year, as a result of adding the ELEAD business and 7% growth in revenue per site driven by gains in key applications like Document Management and CDK service in addition to ELEAD.

Recurring revenue growth from three plus auto site groups was up low double digits, while revenue growth in the one to two sites segment was roughly flat. North America auto sites were at their highest level since December 2017, and increased by 13% over last year, due to the growth in three plus site groups, partially offset by a decline in one to two site groups.

Transaction revenue grew 4% in the quarter and was down 1% for the year. Other revenue increased to 61% in the quarter and 42% for the year, primarily driven by ELEAD. Revenue from our international segment decreased 4% and 2% for the quarter and year respectively and increased 2% on a constant currency basis for both the quarter and year.

Constant currency revenue growth was driven by higher recurring revenues as seen by the increase in average revenue per site, which was up 10%. This growth was somewhat offset by declining sites and timing of certain other revenues. International sites were up sequentially from last quarter and down slightly by 1% over last year, due in part to the impact of site consolidations and losses in legacy products. In 2020, we expect the international sites to grow as well.

Moving on to EBITDA performance, on an ASC 606 basis, adjusted EBITDA for the company was $194 million and $775 million for the quarter and year with an adjusted EBITDA margin of 39.7% and 40.5% respectively. On an ASC 605 basis, adjusted

EBITDA, was up 9% for the quarter and margins were down slightly by 30 basis points to 39.1%. For the year, adjusted EBITDA was up 13%, while margins expanded 180 basis points to 40.1%.

At a segment level and an ASC 606 basis North America pretax earnings were $170 million for the quarter and $686 million for the year. With margins of 41.5% and 43.1% respectively. On an ASC 605 basis, North America, pretax earnings were up 6% in the quarter and 11% for the year. In the quarter, margins were down 290 basis points to 40.1%. Economies of scale on strong revenue growth and benefits from the transformation plan will offset by the lower margin profile of ELEAD and incremental investments.

For the year, margins expanded 10 basis points to 42.2%. Margin improvement drivers for the year were similar to that of the quarter, as well as an impact from lower incentive compensation in the prior year. For international, on an ASC 606 basis, pretax earnings were $21 million for the quarter and $78 million for the year, with margins of 26.5% and 24.2% respectively. On an ASC 605 basis, international pretax earnings for the quarter and year were down 3% and 5% respectively.

In the quarter, margins expanded 30 basis points to 31%, driven by scale from revenue growth, somewhat offset by investments related to strategic growth initiatives. These same initiatives drove a margin contraction of 80 basis points for the year, resulting in a year-end margin of 27.6%.

For the total company, on an ASC 606 basis, our effective tax rate was 19.2% and 23.7% and diluted earnings per share were $0.88 and $3.32 for the quarter and full-year respectively. On an ASC 605 basis our effective tax rate was 19.7% and 23.8% and diluted earnings per share grew 22% to $0.89 and grew 24% to $3.35 for the quarter and full-year respectively.

EPS growth was driven by increases in operating income at a lower average share count due to buybacks, which were partially offset by increased interest expense. I want to provide some additional details on the Digital Marketing divestiture. On an ASC 606 basis,

the loss from discontinued operations for the fourth quarter was $156 million and $110 million for the year, which includes a goodwill impairment of $169 million booked in the quarter.

We have identified approximately $20 million of stranded costs, primarily related to shared software and hosting arrangements which are and will be included in the continuing operations of North America. We have engaged down and company to advise us on the divestiture of the business and are committed to completing the sale by the end of the fiscal year. Included in the guidance, which I am sharing today, is the assumption that we will complete the sale of the business by the end of the calendar year.

On July 10, we entered into a settlement agreement that resulted in the dismissal of all claims brought by Cox Automotive. In the fourth quarter, we recorded a litigation provision of $90 million comprised of both the Cox settlement and a reserve for the remaining unsettled cases.

Our cash balance, on June 30, 2019 was $311 million, of which $248 million was held outside of the United States. We ended the quarter with a leverage ratio of 3.4x net debt to adjusted EBITDA. The increase from prior quarters is primarily due to the drop in adjusted EBITDA caused by the discontinued operation treatment of the Digital Marketing business. In fiscal 2019, we return to nearly $600 million to shareholders through a combination of dividends and share repurchases.

Now, let's move on to our guidance for fiscal 2020, which is provided on an ASC 606 basis. We expect total revenues between $2 billion and $2.05 billion. Specific to North America, we have factored into the guidance approximately one point of headwind. As a result of the partner program transition that Brian mentioned.

In addition, as of July 1, 2019, we have adopted the new lease accounting standard ASC 842, which will impact certain hardware arrangements, previously recognized as subscription revenue over the contract duration that will now be accounted for as sales type leases and recognized as upfront revenue.

We expect the EBITDA dollars between $790 million and $820 million, which is inclusive of the previously mentioned $30 million of investments. We expect EBITDA improvements to be weighted towards the second half of the fiscal year as revenue growth accelerates. We expect earnings per share of $3.30 to $3.50. We anticipate our tax rate to be 24% to 25%.

As we look forward, our top priorities for capital allocation will be a thoughtful balance between one, organic investments that will continue to accelerate the growth and performance of the business such as our plant, technology enhancements and service related projects, two, inorganic opportunities that are synergistic with our portfolio and would meaningfully provide additional profitable revenue and increased long-term value and three, return of capital to shareholders while targeting a leverage ratio of 2.5x to 3x net debt to adjusted EBITDA.

Within the framework of this strategy, and while pointedly reducing our current leverage down over time to a range of 2.5x to 3x, we are anticipating that our free cash flow available in 2020 will allow for $75 million to $150 million of shareholder returns.

Fiscal 2019 was the final year of the business transformation plan, which was successful at targeting operational efficiencies and margin improvements. And you will see that we are no longer adjusting for those costs in the guidance tables. We have added an adjustment for a new business process modernization initiative, which includes funding of approximately $15 million in 2020 and a total of approximately $30 million over the next three years, which will be used for a comprehensive redesign of our customer coding, contracting, fulfilling and invoicing processes and systems and tools used.

Before we conclude the call, I also want to share with you our perspective on the growth framework for the next couple of years and beyond. We are confident that this business can deliver mid single-digit topline growth in 2020 and going forward.

As Brian mentioned, we continue to focus on further acceleration of growth beyond this target in the future. In terms of EBITDA, we will appropriately balance EBITDA growth with investments into the business and expect over the next two to three years that EBITDA

will grow low-single digits with a longer term view post investment period of growth accelerating to high-single to low-double digits.

In closing, we are really pleased with the result in 2019. We've delivered on the commitments we've made either on or ahead of schedule. We're quite excited about the future, and look forward to updating you on our progress of delivering growth acceleration on future calls.

I'll now turn it back to the operator, and we'll be happy to take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question comes from Rayna Kumar with Evercore ISI. Your line is now open.

Rayna Kumar

Good evening. Thanks for taking my question. So you saw some good improvements in the fourth quarter results, but just help me better understand your medium long-term guidance. What is that disconnect between your mid single-digit topline guide versus the low single-digit growth you expect in EBITDA over the next two to three years? How much of that is like incremental investments versus say negative pricing?

Brian Krzanich

So I can start, and then Joe will go to the detail. It is absolutely focused on the incremental investments. So I think you saw here that the revenue per site was increasing over the quarter and over the year. We continue to drive that both in North America and internationally, but we are making some investments, we talked about the whole program to improve our coding, billing and Doc system, and then we talked about the investments in the technology on Fortellis, Drive Flex and some of our other products. So it's absolutely that. But I'll let Joe give little more detail on the numbers.

Joseph Tautges

Hey, Rayna. Good afternoon. Yes. So when you look at the 2020 guidance we gave, it's right in line with the long-term guide we provided before, so just maybe let me take it piece by piece. We have said we expect the business to grow 4% to 5% organically, and when we look at the guidance we're sharing today for 2020, we shared 4% to 6%, and within that, I would point out that the commercial agreement that we've announced today with Cox that puts about a point of pressure on that range.

And so we're right where we want to be from a revenue perspective. In fact, a bit ahead of where we expect it to be. And then on EBITDA, what we've factored into the guidance for 2020 is $30 million of investments that Brian described in his section of his prepared remarks. That's about 4% of EBITDA impact. And then in addition, the one point of commercial agreement framework that we agreed to with Cox puts a bit of pressure on EBITDA growth as well.

So when you look at the foundational core business, EBITDA is within that 8% to 12% range and we're doing the right things to invest in the business and continue to accelerate the momentum in the topline and so we're quite encouraged with where the business is performing and with the confidence of now investing more aggressively to further accelerate revenue.

Rayna Kumar

That’s very helpful. And then just on the revenue per site. That was up nicely in North America, 7%. How much of that is actual price increases versus selling layered application software?

Joseph Tautges

Sure. Yes. So we're happy with the revenue per site growth. And as we look at it, the majority of it's coming from sales of more applications within existing sites. The rate is a smaller piece of it. In fact, smaller and smaller for each quarter and more just our existing customers buying more services from us and expanding the relationships.

Rayna Kumar

And just one final question for me, if you can just discuss the market share trends you saw both at the low end of the market and the high end of the market for DMS?

Brian Krzanich

So I can start and I think it goes back to your other question a second ago, Rayna about is it about pricing or is it about selling more product. Absolutely, we believe that the best way for us to grow is to grow with our customers and our partners. And so that's always going to be giving them better and more product and that's why we saw most of the growth coming from more product versus price increases.

From a share, we're seeing that same thing. We're seeing us continuing to grow. You saw us shift both in the total count and then the increasing site count this quarter, second quarter in a row. So we definitely turn the tide of actually decreasing share to now we're starting to win share back.

So I tell you, our plans – or what we saw in the second half of this year was increasing share from a declining position. And our plans for 2020 are to continue that trend, to continue to increase share and continue to grow those sites. That's all built into the plans that Joe and I described this morning.

Rayna Kumar

Is the market share gains both at the high end and the low end of the market?

Brian Krzanich

So when you look at the portfolio Rayna, the three plus sites continued to perform quite well and in line with what we've seen historically, where we're seeing things continue to improve quarter-on-quarter is within the one to two portfolio both in terms of selling more and in terms of retention. And as we look at going into next year, we continue to see strong performance out of the three plus sites and the momentum we have there continuing.

And then at the one to two, with the broader rollout of Drive Flex, at this point we have 50 either signed up or in the backlog new customers with the Drive Flex platform. And as you look at that scaling and going forward, that's really some of the line of sight that we have confidence in as we look going forward around sites as well as the confidence in revenue.

Rayna Kumar

Thank you.

Brian Krzanich

Thank you, Rayna.

Operator

Thank you. And our next question comes from Matt Pfau with William Blair. Your line is now open.

Matthew Pfau

Hi guys. Thanks for taking my question. I wanted to follow-up on Drive Flex and the customers you have signed up and then the dozen that you've transitioned over or got implemented on the platform. Are these mainly smaller dealership groups in the one to two-site segment? And then, are these new customers for you or are you transitioning some existing customers over to the Drive Flex platform?

Brian Krzanich

The answer to that, Matt, its going to be a lot of yeses. So because we still have just our GM integration complete, the second one will be done here in the next probably week or two hopefully. And then we have the third and we're still on target to finish the majority of them by the end of this calendar year and maybe into – slightly into Q1. It's always dependent on how fast the OEM partners can work with us. So the majority of the ones we signed up are one, and sometimes maybe two OEM.

They tend to be either single rooftops within larger groups, there's a few of those. The majority of them are just single rooftops on their own. There are a few independents in there. Remember, we said we were going to expand our marketplace. There's some number somewhere around 1,000-ish, we think independent dealer groups that could benefit from Drive Flex, so we've started to play with some of those.

And those are in the installs as well. So all of those are making it up. We think – it's mid next year to late next year before we're really doing the larger multi-OEM – five and above dealer group organizations. We really need to get the multi-OEM and then also some of the reporting function up and running where you can aggregate the various reporting systems.

Matthew Pfau

Got it. And then just wanted to ask on International. Maybe you can just give us some detail on how you use a long-term growth opportunity there. Is that a segment that is going to be slower growing in North America or can it be the same? And then look at the growth drivers that you kind of listed out maybe I'm wrong, but it seemed like they were more focused towards North America. So just trying to sort of figure out if some of those opportunities are applicable towards the international segment as well?

Brian Krzanich

Sure, I can start this. One of the things international. We're just in the process of rolling out. So we talk a lot about Drive Flex. What we don't talk a lot about as much right now it's a little earlier and that stage is Drive Light, which is the international version of low end, I'll call it, or less featured DMS. Its really targeted for expansion in – I'll call it Greater Asia. And maybe I'll call it other emerging countries.

It's being run right now in Vietnam. We have another install going on in China. So we think a lot of the growth that International will see will come from that space, taking Drive Light into those emerging markets and then just growing the per site spending in the existing European and Western European countries.

We see continued growth there, especially as we move into the partner program in International. So we do see the growth, you'll see our plans for 2020, see renewed growth back into the International segment. And so absolutely we built into this as return to growth in International.

Joseph Tautges

Matt, this is Joe. And what I would add is when you look at Q4, you start to see the same behavior in International terms of performance as you do in the rest of the book of business sites improve sequentially. And I would expect that we'll continue to see that as we go into next year.

The business grew 2% on a constant currency basis in the quarter. Q1 will look similar to Q4 and as you look at our backlog and in the business that's coming online, we have confidence that the business will accelerate Q2 to Q4 and we'll contribute as a mid single-digit grower quite in line with the rest of the portfolio. What we're seeing International. So there's important part of business that we look to continue to grow.

Brian Krzanich

Hey, Matt, I just want to kind of go back to maybe the broader question and it's kind of tied to Drive Flex and then Drive Light and International. And I think this is one of the first times or very unique in the case of history where we've had two DMS’s both of them very modern and both of them targeted towards, the broader spectrum, including the lower end capability. It's very they're both technologies are modular. They're capable of adapting to featured operations.

So we do really feel like, these aren't yet to come or not here, there, here, they're in installs, they're ready to ramp, and we're actually working more time now on how do we ramp faster? How do we automate more of the procedures for installation and how do we finish the OEM integrations? But, we're really excited about both of these products coming into the two different markets.

Matthew Pfau

Thanks. That's really helpful, guys. Appreciate it. That's it for me.

Brian Krzanich

Thank you.

Operator

Thank you. And our next question comes from Ian Zaffino with Oppenheimer. Your line is now open.

Ian Zaffino

Hi, great. Thank you very much. Question would be on the Digital Marketing side. Can you just help us maybe bridge the gap between what your guidance was, which you issued pre-announcement of divestiture of DM and what it actually was? As we just kind of compare your performance in the fourth to, what you told us you going to do?

Brian Krzanich

Sure. So what I would say, just to state the numbers that we had in 8-K. What we said is year-to-date, the digital business comprised of 19% of revenue and 13% of GAAP earnings, and so when you look at the final numbers that concluded, I believe it was 18% of revenue and roughly 16% of profit.

So largely in line, plus or minus a couple of points with what we shared previously, the way I would think of the business is a bit over $400 million of revenue in 2019 and profitability in the $90 million range, and with what we have line of sight to, I think you'll see that business revenue go through some of the changes we describe going into next year, and on the bottom line, be in line with the one to two and closer to two points of profit reduction when you look at that portfolio.

So we're very much in line with what we shared before. The one nuance I would point out is the way discontinued operation treatment works. There is roughly $20 million of stranded cost that is in the continuing operations numbers we've guided today. And we're

working to either reduce those costs or get them assigned to the business that will be held for sale.

Ian Zaffino

Okay. And then also on the anti-trust side, does this conclude all the anti-trust cases? And can you just maybe go into a little bit more about what the payments were or the dollars that are being kind of swapped? Thanks.

Brian Krzanich

Sure, I can start. This does not include all of them. This was predominantly the larger of the lawsuits that are out there. And I think it's important because I think it's also a bellwether and kind of representative of our effort to go and mediate these and work through them.

So I think it's not all. It's one of the largest. And I think it gives you a flavor for where we're headed with these because we want to get these behind these. We're always better working together towards business rather than sitting with lawyers in courtrooms arguing about things. From a dollars' transaction, I'll let Joe, talk about what was booked into the system.

Joseph Tautges

Yes. So for the quarter, we reported $90 million of total call related to our best estimate of the settlement value of the outstanding litigation. We are not based on non-disclosure agreements disclosing separately the portion of what was settled for the one-claim we described, but we're happy to make the progress we made and the outcome that we've had and really look forward to continuing to go forward to put this behind us.

Ian Zaffino

And just as a final question would be, now that everything's settled, you've brought in your relationship with Cox. Does that extend to dealer track as well? Or how do we think about that?

Brian Krzanich

I think that's where – it's an emerging relationship. I tell you that our goal is to make it very broad, yes, and to continue to build this partnership and work together. We'll compete in certain areas still. And like any other two companies in a marketplace, there's places we will find where we can work together. Some of our layered apps and integrating into both of our DMS's, and there's going to be places we're going to compete ferociously for our customers. And I think that's the healthiest place for the market. And that's really where we are to be focusing rather than arguing in court.

Joseph Tautges

Yes. Yes, and then – when we look at how we're heading forward with Fortellis, and Fortellis being an industry standard platform. It's lost about one vendor or another. It's all about bringing connected, integrated solutions to the auto [indiscernible] we're focused.

Ian Zaffino

Okay, thank you very much.

Brian Krzanich

Thank you.

Operator

Thank you. [Operator Instructions] Our next question comes from Gary Prestopino with Barrington Research. Your line is now open.

Gary Prestopino

Hi, everyone. Couple of questions here and I have a lot to digest here. But in terms of with this Repair Order and beta testing and did you say that Cox is going to be taking the Repair Order products through Fortellis?

Brian Krzanich

Yes. So they are one of the lead first users of the Repair Order API, and that is through Fortellis, yes.

Gary Prestopino

So, wouldn't that just translate into them that they have – if they're taking it, they're going to use it for their Dealertrack DMS domestically? Or they're going to use it somewhere else in the system?

Brian Krzanich

I'm not going to speak for them about where they're going to use it. I mean, you can ask them. This is a very open agreement. Then Fortellis would allow them to use it almost anywhere. And I'm not going to – they're welcome to use it anywhere. So we don't dictate those requirements. And I suggest you talk to them about where they will use it.

Gary Prestopino

Okay. And then in terms of, Brian, you mentioned something about that with the Drive Flex, you're eventually going to start going upmarket with five plus dealerships, five point plus dealerships. Have you – I mean, I thought you had to develop the product. You refine their product for bigger dealerships. Is that's been done and now that the goal is to start rolling it out, trying to roll it out across your entire enterprise?

Brian Krzanich

So, it is designed to be scalable to any size dealership. So this is absolutely designed to that. But in order to do that, we have to finish all of the OEM certifications and that's 30 plus certifications, we have to go through. But there's like a few big ones that you have to get in order to kind of have the other ones kind of fall much, much quicker.

We've finished GM. Obviously, we've talked about. We're in the process of finishing up Ford. Ford will hopefully be in the next week or two. And then we'll move on to so many of the other ones, the [indiscernible] Toyotas, Nissans, Honda and then we'll get to all the rest of the OEMs.

We think we'll have those finished into this year, maybe into Q1. That will then allow us to start scaling, because most of – once you get to three plus dealers or three plus rooftop dealers, you're talking about multi-OEM and you've got to have enough of a mix for them to be comfortable with you doing that.

So that's why I've said it's mid to late next year, when we can really go into those larger dealer sites. So you're going to see one rooftop independence and one rooftop within a larger dealer group as they test out the system, we have a couple of those where there are maybe 50 rooftop dealers. But they maybe acquired somebody or they've got a single store that they'd like to try it with our – in going and doing those installations as well now. And then it will scale in the second half of next year into those bigger groups.

Gary Prestopino

Thanks. And then Joe, did I hear you saying that there's between $75 million and $150 million of free cash flow that's going to be devoted to shareholder enhancements or returns, is that mean buying back stock? Are you going to be with your debt ratio, you're going to be able to buy stock in the market?

Joseph Tautges

Yes, for sure. So, right now, we guided just to make sure we're saying the same thing, we said we would return $75 million to $150 million of capital to shareholders. $75 million, the lower end of that range is our dividend and we're committed to maintaining our dividend and based on opportunities that we see either organically in a portfolio or inorganically will balance that against share buybacks as well, which is why we've provided the range up to $150 million. From a leverage perspective, we will continue to manage down our leverage throughout the year with our access to free cash flow and strike the right balance.

Gary Prestopino

Can I just ask one more question?

Joseph Tautges

Sure.

Gary Prestopino

With the installations of the Drive Flex that you have out there now, what has been the feedback from the dealerships in terms of having to devote employee time and effort to learning the system and getting the system up and running versus your legacy DMS platform that is replacing?

Joseph Tautges

It's literally night and day. The Drive Flex system has drop down menus. It's autofill. Its web based. So it's much more. I'll call it an iPhone like experiences. I've tried to describe it. The response has been very positive from both those that we've installed in and those that we've done demo.

And last time, I counted we've done over 100 demos to people. And typically the response we get back is just how soon can you guys be ready to push this into the dealership? So the transition time is fairly quick from a start up and usability.

When it's a CDK to CDK transition, the data feeds and all are fairly quick. So it's kind of a normal install. When it's an acquisition where we're moving off another DMS, it has the usual issues of us aligning our data sets and all of that.

We're trying to – because of the way this one is architected, we're trying to automate a lot of that. And that's the other thing we're spending our time with before we really try to ramp in the multi-hundred per year is as much automation as we can to lower the cost and time of the install.

Gary Prestopino

Okay. Thank you.

Operator

Thank you. And I am not showing any further questions at this time. I'd now like to turn the call back over to Brian Krzanich, for any closing remarks.

Brian Krzanich

Thank you. I'll make a few closing comments. First of all, I think our teams have really executed incredibly well at delivering on our technology innovations and our customer focused strategies. And I'm very pleased with their efforts and the resulting strong financial performance that we've seen this year.

And second I'm very confident in our ability to continue our growth strategies going forward. I'm excited to see the lasting value that we're building for our customers, our employees and our shareholders. So I want to thank all of you for joining us on this call this morning.

And I'd like to wish everybody to have a good day. And we'll see you next quarter.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program, and you may all disconnect. Everyone, have a wonderful day.

Comments (0)